

**EIGHTY-SIXTH GENERAL ASSEMBLY
2015 REGULAR SESSION
DAILY
SENATE CLIP SHEET**

APRIL 23, 2015

**HOUSE AMENDMENT TO
SENATE FILE 366**

S-3132

1 Amend Senate File 366, as amended, passed, and
2 reprinted by the Senate, as follows:

3 1. By striking everything after the enacting clause
4 and inserting:

5 <Section 1. Section 97A.6, subsection 7, paragraph
6 a, subparagraph (1), Code 2015, is amended to read as
7 follows:

8 (1) Should any beneficiary for either ordinary
9 or accidental disability, except a beneficiary
10 who is fifty-five years of age or over and would
11 have completed twenty-two years of service if the
12 beneficiary had remained in active service, be
13 engaged in a gainful occupation paying more than
14 the difference between the member's net retirement
15 allowance and one and one-half times the current
16 earnable compensation of an active member at the same
17 position on the salary scale within the member's rank
18 as the member held at retirement, then the amount of
19 the retirement allowance shall be reduced, subject to
20 the requirements of this subparagraph, to an amount
21 such that the member's net retirement allowance plus
22 the amount earned by the member shall equal one and
23 one-half times the amount of the current earnable
24 compensation of an active member at the same position
25 on the salary scale within the member's rank as
26 the member held at retirement. Should the member's
27 earning capacity be later changed, the amount of the
28 retirement allowance may be further modified, subject
29 to the requirements of this subparagraph, provided
30 that the new retirement allowance shall not exceed the
31 amount of the retirement allowance originally granted
32 adjusted by annual readjustments of pensions pursuant
33 to subsection 14 of this section nor an amount which
34 would cause the member's net retirement allowance,
35 when added to the amount earned by the beneficiary, to
36 equal one and one-half times the amount of the current
37 earnable compensation of an active member at the same
38 position on the salary scale within the member's rank
39 as the member held at retirement. However, a member's
40 retirement allowance payable in a calendar year shall
41 not be reduced pursuant to this subparagraph to an
42 amount that is less than half of the member's ordinary
43 disability or accidental disability retirement benefit
44 allowance calculated without regard to this paragraph
45 "a", and otherwise payable to the member in a calendar
46 year. A beneficiary restored to active service at
47 a salary less than the average final compensation
48 upon the basis of which the member was retired at age
49 fifty-five or greater, shall not again become a member
50 of the retirement system and shall have the member's

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1 retirement allowance suspended while in active service.
2 If the rank or position held by the retired member is
3 subsequently abolished, adjustments to the allowable
4 limit on the amount of income which can be earned in
5 a gainful occupation shall be computed in the same
6 manner as provided in subsection 14, paragraph "c",
7 of this section for readjustment of pensions when a
8 rank or position has been abolished. If the salary
9 scale associated with a member's rank at retirement is
10 changed after the member retires, earnable compensation
11 for purposes of this section shall be based upon the
12 salary an active member currently would receive at
13 the same rank and with seniority equal to that of the
14 retired member at the time of retirement. For purposes
15 of this paragraph, "net retirement allowance" means
16 the amount determined by subtracting the amount paid
17 during the previous calendar year by the beneficiary
18 for health insurance or similar health care coverage
19 for the beneficiary and the beneficiary's dependents
20 from the amount of the member's retirement allowance
21 paid for that year pursuant to this chapter. The
22 beneficiary shall submit sufficient documentation
23 to the board of trustees to permit the system to
24 determine the member's net retirement allowance for the
25 applicable year.>

26 2. Title page, line 1, by striking <reexamination,
27 recalculation, and offset> and inserting <reexamination
28 and recalculation>

29 3. By renumbering as necessary.

RECEIVED FROM THE HOUSE

S-3132 FILED APRIL 22, 2015

**HOUSE AMENDMENT TO SENATE AMENDMENT TO
HOUSE FILE 229**

S-3133

1 Amend the Senate amendment, H-1215, to House File
2 229, as amended, passed, and reprinted by the House, as
3 follows:

4 1. Page 1, after line 2 by inserting:
5 <___. Page 1, by striking lines 1 through 4.>
6 2. Page 1, by striking lines 6 through 9 and
7 inserting <purchased, except that in connection with
8 the sale of a buying club membership transacted through
9 the internet by a company primarily engaged in the
10 sale of goods through the internet, section 555A.4,
11 subsections 1 and 3 shall not apply. In>

12 3. By renumbering as necessary.

RECEIVED FROM THE HOUSE

S-3133 FILED APRIL 22, 2015

HOUSE FILE 635

S-3134

1 Amend House File 635, as amended, passed, and
2 reprinted by the House, as follows:

3 1. Page 10, by striking lines 13 through 31.

4 2. Page 20, after line 4 by inserting:

5 <Sec. ____ . Section 321.276, subsection 5, Code
6 2015, is amended by striking the subsection.>

7 3. Page 20, by striking lines 23 through 31 and
8 inserting:

9 <(1) (a) A Subject to subparagraph division (b),
10 a statement printed on it as follows: "Unauthorized
11 use of this placard as indicated in Iowa Code chapter
12 321L may result in a fine, invalidation of the placard,
13 or revocation of the right to use the placard. This
14 placard shall be displayed only when the vehicle is
15 parked in a persons with disabilities parking space or
16 in a parking space not designated as a persons with
17 disabilities parking space if a wheelchair parking cone
18 is used pursuant to Iowa Code section [321L.2A](#)."

19 (b) After the department has issued the existing
20 supply of placards bearing the statement set forth in
21 subparagraph division (a), the statement printed on
22 each newly issued placard shall be as follows: "Remove
23 from mirror before operating vehicle.">

24 4. By renumbering as necessary.

COMMITTEE ON TRANSPORTATION
TOD R. BOWMAN, CHAIRPERSON

S-3134 FILED APRIL 22, 2015



SF 490 – Disabilities, Achieving a Better Life Experience Accounts (LSB1660SZ)
Analyst: Jeff Robinson (Phone: 515-281-4614) (jeff.robinson@legis.iowa.gov)
Fiscal Note Version – New

Description

Senate File 490 creates an Iowa ABLE (Achieving a Better Life Experience) Savings Plan Trust. The Trust will be administered by the State Treasurer. Contributions to the Trust on behalf of beneficiaries are deductible for State income tax purposes, up to a specified amount, and that amount is adjusted annually for inflation. Interest earnings on account balances are also exempt from State income tax. In addition, the accounts are not subject to State inheritance tax and the assets of the accounts are excluded from consideration under certain means-tested programs, such as Medicaid or Supplemental Security Income.

This Bill applies to account contributions made on or after July 1, 2015, and the income tax provisions are retroactive to tax year 2015. The State inheritance tax exemption applies to deaths occurring on or after July 1, 2015.

Background

The U.S. Congress enacted ABLE account authorization legislation in December, 2014. The federal ABLE Act allows states to create programs to assist individuals in saving funds for the purpose of supporting persons with disabilities. The savings programs are similar, but not the same as, federal Section 529 college savings accounts. For federal tax purposes, contributions to the current Section 529 accounts and to the new ABLE accounts are not deducted from federally taxed income, but the earnings on the account balances are federally exempt as long as the money is used for qualified expenses.

The federal enabling legislation provides that the disability onset must have occurred before age 26. The federal legislation also specifies the level of disability necessary for participation in the ABLE program.

Iowa's Section 529 program (College Savings Iowa) includes an added benefit that allows taxpayers contributing to College Savings Iowa to deduct the contribution, up to an annual limit, from their Iowa income for income tax purposes. For tax year 2015, the limit is \$3,163 per account per contributing taxpayer, and the annual limit is indexed for inflation. This Bill establishes an ABLE account annual contribution limit for Iowa income tax deduction purposes equal to the College Savings Iowa limit in effect that tax year.

To benefit from the federal provision of the ABLE Act, the State where the qualified disabled person resides must create a State ABLE Program, or the State must enter into a memorandum of understanding with a program existing in another State. Contributions to an ABLE account may be made by any person. Unlike Section 529 accounts, a beneficiary cannot have multiple ABLE accounts.

Funds in an ABLE account may be used for any "qualified disability expense" including education, housing, transportation, employment training and support, assistive technology, personal support services, health care expenses, financial management and administrative services, and other expenses that will be further described in regulations to be developed in 2015 by the Treasury Department. Funds used for nonqualified expenses are subject to tax penalties.

Assumptions

- For disabled persons in Iowa to benefit from the federal ABLE legislation, Iowa must enact its own legislation to either create an Iowa ABLE program, or authorize a contract with another state to accept disabled Iowans into that State’s ABLE program.
- In anticipation of final federal rules governing ABLE accounts, Iowans will begin to contribute to ABLE accounts in calendar year 2015 (July 1, 2015, or after).
- The Iowa Department of Revenue estimates that there are currently 143,200 Iowans with a qualified disability level where the disability onset occurred prior to age 26. This number is assumed to remain the same for future years.
- Of the 143,000 potential Iowa beneficiary accounts, 71,600 (50.0%) are assumed to establish ABLE accounts within the next four years, with 14,300 established in 2015, 50,100 established by the end of 2016, and 64,400 by the end of 2017.
- While a beneficiary is allowed only one ABLE account, more than one person may contribute to that account and each contributor will be allowed up to the maximum annual deduction for State income tax purposes.
- The average Iowa income tax deduction per beneficiary will equal 140.0% of the annual ABLE contribution limit.
- The average marginal Iowa income tax rate is assumed to be 5.2%.
- The income tax impact is adjusted for the reduced federal income taxes owed by ABLE contributors (federal deductibility).
- Tax exemptions reduce State income tax liability and that in turn reduces the amount of revenue raised by the local option income surtax for schools. The surtax rate is assumed to be 3.5% of State income tax liability.
- The inheritance tax impact is assumed to be minimal.
- Based on experience with College Savings Iowa, the State Treasurer’s Office indicates that the administrative costs to establish and monitor the program, particularly in early years, will be significant.

Fiscal Impact

The creation of the Iowa ABLE Savings Plan Trust is projected to reduce State General Fund revenue and local option income surtax for schools revenue by the amounts in the following table.

Revenue Reductions		
In Millions		
	State General Fund	Local Option Surtax
FY 2016	\$ 3.3	\$ 0.1
FY 2017	11.9	0.4
FY 2018	15.7	0.5
FY 2019	17.9	0.6
FY 2020	18.4	0.6
FY 2021	18.9	0.7
FY 2022	19.3	0.7

At Iowa’s top income tax rate of 8.98%, the benefit to the taxpayer for contributing the average amount used in this fiscal estimate (\$4,428 for tax year 2015) equals \$398. For taxpayers with

a lower marginal tax rate, the State tax benefit is lower. The fiscal estimate assumes that a significant number of accounts will be created to cash-flow current-year expenses through an account in order to benefit from the State tax reduction provided by the account. If the account fees, expense tracking, and other required paperwork prove to be too onerous for the level of tax benefit received, fewer accounts will be created and the fiscal impact will be lower.

The State Treasurer's Office indicates that, due to the account restrictions and limited qualified participant pool, the new program will take a significant amount of time to become self-sufficient. Therefore, an appropriation for program administration will be necessary for several years. The estimated appropriation level necessary is \$380,000 for FY 2016 and \$320,000 for FY 2017.

Implementation of this Bill is contingent on an appropriation for administration of the Iowa ABLE Savings Plan Trust. The Bill does not contain an appropriation.

Sources

State Treasurer's Office

Iowa Department of Revenue

U.S. Census Bureau American Community Survey (disabled population)

REMI, Inc. (Iowa population estimates)

Joint Committee on Taxation (federal deductibility impact)

Legislative Services Agency analysis

/s/ Holly M. Lyons

April 21, 2015

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
